

BOARD OF DIRECTORS – ACTION SUMMARY
Wednesday, September 22, 2004 – 6:00 p.m.

San Juan Unified School District – Board Room
3738 Walnut Avenue, Carmichael, CA

CALL TO ORDER

The meeting was called to order by President Jones. Board Members present: Duveneck [arrived 6:15 p.m.], Engellenner, Goold, Granados, Jones, Kelly, Lawson, Trujillo, Valley. Staff: Fire Chief Martinez, General Counsel Price, Board Clerk Tilson.

PLEDGE TO FLAG

**PUBLIC OPPORTUNITY TO DISCUSS MATTERS OF PUBLIC INTEREST WITHIN
DISTRICT JURISDICTION INCLUDING ITEMS ON OR NOT ON THE AGENDA**

CONSENT AGENDA:

1. Board Meeting Action Summary—September 8, 2004

- **Board Action:**
Engellenner/Goold—approve the Consent Agenda. Directors Engellenner, Goold, Granados, Jones, Kelly, Lawson, Trujillo, Valley, AYE. Director Duveneck, absent. Motion carried.

ACTION ITEM(S)

**1. Elect Special Districts Representative to the
Sacramento County Treasury Oversight Committee—(Jones)**

- **Board Action:**
Engellenner/Granados—vote to elect Finance Director Drew Houghton. Directors Engellenner, Goold, Granados, Jones, Kelly, Lawson, Trujillo, Valley, AYE. Director Duveneck, absent. Motion carried.

2. Fiscal Year 2004-2005 Final Budget—(Houghton)**A. Resolution No. 46-04—Final Budget**

- Minor modifications to the Position Authorization Document to reflect a change in title from Assistant Fire Chief-Finance to Director of Finance and elimination of the JPA Communications Center Assistant Fire Chief position, for a total of 719 authorized positions.

Questions on a methodology to account for the Paramedic Intern positions not included in the document, along with reflection of the actual number of filled positions to be referred to the Finance Committee for clarification as requested at a previous meeting.

- Expenditure breakdowns were included for the three budget components as requested: General Operating--\$118,774,642, One-Time Expenditure Plan--\$1,560,269, and Capital Improvement Program--\$484,400.
- The 2004/2005 Final Budget Resolution totaling \$120,819,311 was presented for adoption.

- **Board Action**

Engellenner/Valley—Adopt the Final Budget Resolution (No. 46-04). Directors Engellenner, Goold, Jones, Kelly, Lawson, Trujillo, Valley, AYE. Director Granados, NO. Director Duveneck, absent. Motion carried.

B. Resolution No. 47-04—Establish the 2004/2005 Reserve Accounts

- The 2004/2005 Final Budget Resolution establishing a total General Fund Reserve of \$25,607,110 was presented for adoption.

- **Board Action**

Engellenner/Valley—Adopt the Resolution (No. 47-04). Directors Engellenner, Goold, Granados, Jones, Kelly, Lawson, Trujillo, Valley, AYE. Director Duveneck, absent. Motion carried.

Director Duveneck arrived at 6:15 p.m.

C. Resolution No. 48-04—Appropriations Limit Schedule

- A Resolution adopting the 2004/2005 Appropriations Limit Schedule of \$200,503,343, in compliance with provisions of the State Constitution and the Government Code.

- **Board Action**

Engellenner/Granados—Adopt the Resolution (No. 48-04). Directors Duveneck, Engellenner, Goold, Granados, Jones, Kelly, Lawson, Trujillo, Valley, AYE. Motion carried.

3. Resolution No. 49-04—Pension Funding Bonds—(Appel)

- Pension Bond team present:

Matt Koch, Lehman Brothers, District's Bond Underwriter
Dennis Ciocca, Sutter Securities Inc., District's Financial Advisor
Phil Morgan Esq., Orrick, Herrington & Sutcliffe, District's Bond Counsel
Jacquelynn Jennings Esq., Lofton & Jennings, Underwriter's Counsel
John Bartel, Bartel Associates, Inc., District's Independent Actuary
- A four-page summary from Lehman Brothers on the Pension Funding Bonds, "Plan of Finance Update," was distributed outlining the three-part presentation:
 - ♦ Recap of bond issue
 - ♦ Update on critical path
 - ♦ Summary of documents to approve
- Matt Koch of Lehman Brothers presented the recap on the bond issue.
 - ♦ District issues \$66.501MM of Pension Funding Bonds in three series:
 - \$34.005MM Fixed Rate bonds amortized through 2024
 - \$12.121MM Convertible Auction Rate Securities (CARS) fixed for 14 years
 - \$20.375MM of Auction Rate Securities (ARS) fixed for 21 years
 - ♦ Expected all-in interest cost of 5.62%
 - ♦ Projected 30-year savings of \$41.8MM
- Dennis Ciocca of Sutter Securities reviewed the critical timeline path being followed relative to the bond sale.
 - ♦ September 8 – Board directed staff to proceed with Pension Funding Bonds
 - ♦ September 20-21 – Staff and Finance Team met with rating agencies (Moody's and S&P) and bond insurers (FSA and XL Capital) to present District's credit and plan of finance.
 - ♦ September 22 – Board approves tonight's resolution, which includes a number of legal documents and the Preliminary Official Statement
 - ♦ September 29 – Ratings expected

- ◆ September 30 – Bond Insurance bids expected
 - Four price bids of AAA rated insurance expected
- ◆ October 1 – Preliminary Official Statement in the range of 140 pages will be electronically posted in the mailboxes of the major investors, both domestic and international
- ◆ October 12 – Bond pricing will be released, both domestic and international
- ◆ October 13 – orders from investors will be taken on the securities. Lehman Brothers is not an investor but is buying the securities from the District and reselling it to the rest of the industry.
- ◆ October 20 – Bond closing/UAAAL paid off. At this point in time, the unfunded liability has been assumed by the Bond investors and the District will have assumed the bond allocation.

There will be a number of future decisions made by this Board relative to applying future savings to prepayments, all or portions. The \$41.8MM shown is the savings even if there is no prepayment. Prepayment will result in larger savings.

Discussion:

- Pension funding bonds are not revenue bonds in any sense—it is an obligation payable from the District's primary source of revenue which is property tax; also totally different from the Port of Sacramento bonds which is essentially a municipality operating in a business.
 - If there is no insurance policy, the bonds would be priced according to their anticipated intrinsic A rating.
- Phil Morgan with the Orrick, Herrington & Sutcliffe lawfirm, provided a summary of the documents.
- Resolution for consideration tonight is an overall statement of intent and authorization to proceed.

Issuance limited to:

Par amount \leq \$70 million

Interest rate \geq 6.5% -- currently blank in the resolution pursuant to the last meeting but now provided as the recommended not to exceed bond rate for the initial period of time.

Underwriter's Fee \leq 0.6%

Fees contingent upon bond issuance.

- Indenture: Dictates the terms of the bonds/instructions to Trustee. It is the basic security document pursuant to which the bonds are issued.
 - Debenture: Evidence of indebtedness being refunded to SCERS and reflects their current term of 8%. This Debenture will be executed and immediately retired and prepaid on the date of closure.
 - Preliminary Official Statement: Disclosure and bond marketing document.
 - Continuing Disclosure Agreement: Outlines District's continuing Disclosure responsibilities as required by the SEC.
 - Auction Agent Agreement: Establishes Auction procedures.
 - Purchase contract: Specifies terms and conditions of the bonds sold to Lehman Brothers. Contains all of the closing procedures and is the template for the closing.
 - Broker Dealer Agreement: Outlines Lehman Brothers' remarketing responsibilities.
- **Board Action:**
Goold/Duveneck—adopt the Resolution (No. 49-04). Directors Duveneck, Goold, Kelly, Lawson, Trujillo, Valley, Jones, AYE. Directors Engellenner, Granados, NO. Motion carried 7 – 2 vote.
 - Mr. Ciocca of Sutter Securities stated a report with the results will be brought back on the following Board meeting after the sale.
 - Director Lawson requested a list of the presenters for the Board.
 - In response to Director Trujillo, General Counsel Price stated the Board was provided an opinion by the bond counsel at the last meeting. He reviewed the opinion and agreed that we are not required to do a validation action or go to a vote of the people.
 - In response to Director Kelly, Deputy Chief Appel stated staff will come back to the Board annually to report the savings over the normal contribution rates. It is staff's recommendation that the savings portion be taken from the Fund Balance annually and placed into the account to retire the bond obligation early – 14 years on the first set and 21 years on the balance, respectively.
- In light of future changes in the Board, Director Goold recommended the Finance Committee draft a policy to generate the recommendation and memorialize it for accountability to the public.

President Jones instructed Board Clerk Tilson to add this item for discussion at the next Finance Committee meeting.

4. Purchase of 2004/2005 Liability Insurance—(Appel)

- Annually, staff requests our broker, Alburger Basso DeGrosz (ABD), to solicit insurance coverage proposals.
- A single proposal was received as follows:

VFIS - \$423,506

Umbrella coverage of \$10 million per occurrence with a \$20 million aggregate cap is included but it was noted that Metro Fire has never had a liability claim that has reached \$1 million. The premium quoted is within the amount appropriated in the final budget and will leave sufficient funding to insure additional anticipated purchases of budgeted fixed assets such as engines, staff vehicles, and thermal imaging equipment that will also need to be added to the policy by riders.

- Staff recommends the Fire Chief be authorized to contract the District's liability insurance coverage for 2004/2005 through VFIS at the quoted rate of \$423,506.
- **Board Action:**
Engellenner/Goold—approve the staff recommendation. Directors Duveneck, Engellenner, Goold, Granados, Kelly, Lawson, Trujillo, Valley, Jones, AYE. Motion carried.

5. Muschetto Annexation to Citrus Heights Water District-LAFCo Application (10-04)—(Appel)

- The territory proposed for annexation into the Citrus Heights Water District is currently undeveloped and not served by a municipal water system.
- Creates no adverse fiscal impact on the District; in fact, the District would most likely see revenues enhanced through an increase in the area's property values and their related ad valorem taxes.
- Staff recommends the Board go on record in support of the proposed annexation of territory under Sacramento LAFCo Application (10-04) and direct staff to prepare a communiqué to LAFCo so confirming.
- **Board Action:**
Engellenner/Granados—approve the staff recommendation. Directors Duveneck, Engellenner, Goold, Granados, Kelly, Trujillo, Valley, Jones, AYE. Director Lawson, abstaining. Motion carried.

6. Bid Award—Construction Management Services—(Connor/Horel)

- A three-page staff report was submitted outlining background information relative to the request for qualifications process utilized to procure construction management services to assist District staff with quality control during construction of eight new fire stations, to perform constructability reviews, and to prepare cost estimates of plans and technical specifications prior to bidding, and to provide final acceptance and close-out services.
- Plans for the first two projects are nearing completion and bid openings are tentatively scheduled for February 2005, contingent upon County approvals.
- The following seven firms submitted proposals:
 - Tri-B Inc. of Truckee
 - O'Connor Construction Management, Inc. of Pleasanton
 - * Harris and Associates of Concord with offices in Sacramento
 - GKKWORKS of Newport Beach with offices in Roseville
 - * Vanir Construction Management, Inc. of Sacramento
 - * The Zahn Group of San Francisco with offices in Sacramento
 - * Kitchell of Phoenix, AZ with offices in Sacramento

Submittals were reviewed and evaluated by District staff and the top four firms designated with an asterisk (*) were interviewed. Vanir Construction Management, Inc. was unanimously ranked as the most qualified firm to provide the requested services.

The term of the agreement will run from October 2004 to June 2007. The maximum amount of the agreement is \$1,047,000 for an average cost per station of approximately \$131,000 or about 3.5% of the estimated average construction cost of \$3.8 million for each project.

Funds will be budgeted annually and expended only on an as-needed basis as each station project is undertaken. The District reserves the right to suspend the agreement upon 30 days notice to the contractor. There is no "minimum guarantee" owed to the contractor based upon the award of the contract. If the completion of the eight fire stations extends beyond June 2007, additional costs for construction management services may be incurred.

- Discussion included: cost for outside management questioned versus hiring a District project manager or another employee to perform these functions; this concept and scope of management was approved by the Board in March 2003 and staff is following through on implementation consistent with Board direction to not hire additional staff for workload spikes; results of the first two fire stations will be monitored and if the process is not working, it can be terminated; all firms submitting proposals have experience in fire station construction; contractor's costs are fixed; this service provides on-site insurance to help avoid litigation; in compliance with the prequalification bidding process; performed extensive reference checks and verification of previous clients.
- Tim Murchison, Project Director for Vanir, confirmed fire station projects experience to include Florin Station 51, Foster City and Hemet. He stated it is common for public agencies to hire someone who reports directly to the architect and provides continuous inspection services, with intent to use more than one person as the need increases. Previous projects were all on schedule and within budget.
- Board members requested a project status report and update on a periodic basis.
- Staff recommends the Board authorize the Fire Chief to execute an agreement with Vanir Construction Management, Inc. to provide construction management services for the District in an amount not to exceed \$1,047,000.
- **Board Action:**
Goold/Duveneck—approve the staff recommendation. Directors Duveneck, Goold, Jones, Kelly, Lawson, Valley, AYE. Directors Engellenner, Granados, Trujillo, NO. Motion passes 6 – 3 vote.

PRESENTATION ITEM(S)

1. Enhanced Pension Benefits-Sacramento County Employees' Retirement System (SCERS)—(Appel)

- Counsel Price referred to the form Resolution required to enhance the retirement benefits for the former Florin and North Highlands employees working for the District in the SCERS system. The County is now offering 3% at 50 for Safety Employees and 2% at 55½ for Miscellaneous Employees. The resolution requires presentation to the Board along with the actuarial cost for the enhanced benefit 14 days prior to adoption. A special Board meeting can be held on October 6 to adopt the Resolution to send to SCERS to make these benefits effective.

Deputy Chief Appel submitted a report to the Board containing the estimated cost based on the information provided by SCERS Actuaries Mercer and Segal with assumptions as of October 20, 2004, the closing date of the bond sale. The total Unfunded Actuarially Assumed Liabilities (UAAL) projections for the enhanced benefits for the former Florin and North Highlands Fire District employees working for Metro in the SCERS system is \$4,898,903. This amount will be associated with the Resolution for approval on October 6. The amortization period would be the balance of our current contract with SCERS expiring in year 2022. There are approximately 82 – 85 former Florin and North Highlands members still employed with the district that would be entitled to the enhanced benefit.

Fire Chief Martinez stated he will not be at the October 6 meeting but this is the last remaining issue from the reorganization to clear up and extended his total support.

- **Board Action:**
General consensus to schedule a special Board meeting on Wednesday, October 6, 2004 at 5:30 p.m. to consider the Resolution for adoption.

PRESIDENT'S REPORT—(Jones)

None.

FIRE CHIEF'S REPORT—(Martinez)

- The Communications Center experienced flooding that compromised taking calls but a number of our staff assisted, with no loss of calls or equipment.
- The main entrance of the Sacramento Metropolitan Fire District Administration building is undergoing reconstruction work. Temporary access is being provided through the rear entrance door.
- Due to flooding in the annex building leased next door, the Finance Division remains in a state of temporary relocation in Administration—still working with the building owner on environmental actions.

GENERAL COUNSEL'S REPORT—(Price)

- Staff will assist anyone in need of the elevator for access to the Administration building on October 6 for the Special Meeting if the front entrance is not completed.

COMMITTEE AND DELEGATE REPORTS:**Executive Committee—(Jones)**

- Next meeting: TBA

Communications Center Delegate—(Engellenner)

- Next Meeting: September 28, 2004 – 10:30 a.m.

California Fire & Rescue Training Authority—(Goold)

- Received a brief report on the September 16 meeting.
- Next meeting: TBA

Finance Committee—(Jones)

- Next meeting: October 27, 2004 – 5:00 p.m.

Policy Committee—(Granados)

- Will be at the NFPA meeting and unable to attend
Next meeting: October 13, 2004 – 5:00 p.m.

Directors Duveneck and Goold departed the meeting at 7:50 p.m.

RECESS TO CLOSED SESSION 7:56 PM**RECONVENE TO OPEN SESSION 8:05 PM**

Report by General Counsel Price:

1. CONFERENCE WITH REAL PROPERTY NEGOTIATOR

Pursuant to California Government Code Section 54956.8

Property: A portion of APN 067-0030-013 Located on Douglas Road near Sunrise Boulevard, Rancho Cordova, Sacramento County, California,

Agency Negotiator: Chuck Horel, Project Manager

Negotiating Parties: Sacramento Metropolitan Fire District and Property Owners Steven Slagel, Michael St. Amour, and Stephanie St. Amour

Under Negotiation: Price and terms/conditions of purchase

The Board was briefed and provided direction to staff with regard to the price and terms and conditions of purchase.

BOARD MEMBER QUESTIONS AND COMMENTS:

Lawson:

- Requested status on Rosemont.

Project Manager Horel stated the Rosemont station is planned for replacement with phase out of Stations 54 and 64. A number of sites have been evaluated and narrowed down to a half dozen. Anticipate coming to the Board for authorization to proceed with offers within the next month.

ADJOURNMENT: The meeting was adjourned at 8:08 p.m.

Gay Jones, President

H. Peter Engellenner, Secretary

Charlotte Tilson, Clerk of the Board